

**EIGHTY-NINTH GENERAL ASSEMBLY
2021 REGULAR SESSION
DAILY
SENATE CLIP SHEET**

March 3, 2021

Clip Sheet Summary

Displays all amendments, fiscal notes, and conference committee reports for previous day.

Bill	Amendment	Action	Sponsor
SF 520	S-3045	Filed	COMMITTEE ON JUDICIARY, et al

Fiscal Notes

[SF 364](#) — [Paycheck Protection Program, Fiscal Filers](#) (LSB2503SV.2)

[SF 364](#) — [Paycheck Protection Program, Fiscal Filers](#) (LSB2503SV.3)

[SF 480](#) — [Open Records Costs](#) (LSB2184SV)

SENATE FILE 520

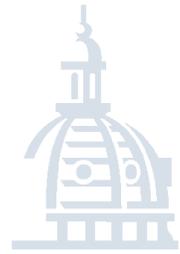
S-3045

- 1 Amend Senate File 520 as follows:
- 2 1. Page 19, after line 26 by inserting:
- 3 <Sec. ____ . Section 101A.11, subsection 2, Code 2021, is
- 4 amended to read as follows:
- 5 2. Black sporting powder is intended for handloading or
- 6 reloading ammunition for small arms with bores equivalent to
- 7 ten gauge or less, loading ~~black~~ blank ammunition, loading cap
- 8 and ball revolvers, loading muzzle loading arms, or loading
- 9 muzzle loading cannon.>
- 10 2. By renumbering as necessary.

By COMMITTEE ON JUDICIARY

BRAD ZAUN, CHAIRPERSON

S-3045 FILED MARCH 2, 2021



[SF 364](#) – Paycheck Protection Program, Fiscal Filers (LSB2503SV.2)
Staff Contact: Jeff Robinson (515.281.4614) jeff.robinson@legis.iowa.gov
Fiscal Note Version – As amended by [H-1115](#) (Ways and Means Committee amendment)

Description

[Senate File 364](#) as amended by [H-1115](#):

- Expands an existing tax preference available for the income and deductions associated with a forgiven federal Paycheck Protection Program (PPP) loan to include taxpayers who received a PPP loan within the taxpayer's 2019 tax year (TY).
- Exempts the proceeds of grants received by a taxpayer from COVID-19 assistance programs administered by the Economic Development Authority (EDA), Iowa Finance Authority (IFA), and the Department of Agriculture and Land Stewardship (DALs) from the State corporate and individual income tax. This provision is repealed January 1, 2024.
- Excludes unemployment insurance payments received from a program commonly known as Federal Pandemic Unemployment Compensation (FPUC) from Iowa taxable income when computing income tax liability. The change is retroactive to January 1, 2020, and applies to income received in TY 2020, and is repealed January 1, 2026.

Background

Paycheck Protection Program — Existing Iowa law provides an income tax exemption and associated expense deduction for forgiven federal PPP loans for tax years beginning on or after January 1, 2020 (TY 2020). This change extends the same benefit to taxpayers whose tax year is not the calendar year and who received PPP income in TY 2019.

COVID-19 Grants — The exemption is expected to apply to 14 grant programs administered by the EDA and/or IFA and 5 grant programs administered by the DALs.

Federal Pandemic Unemployment Compensation — Federal legislation enacted in 2020 created several special unemployment compensation programs to assist unemployed workers. The first payments were distributed in early March 2020. The proposed income tax exemption applies to income received through FPUC only. The FPUC payments equaled \$600 each week and the payments were in addition to the taxpayer's unemployment compensation received under the regular unemployment insurance program.

Assumptions

Paycheck Protection Program — The Department of Revenue estimates that Iowa businesses that do not have a tax year that coincides with a calendar year have a total of \$107.8 million in net PPP income that could be subject to Iowa income tax under existing law. The net PPP income amounts, average marginal tax rates, and income tax reductions assumptions are shown in **Table 1**. It is assumed that the timing of tax return or amended tax return filing will result in 90.0% of the tax reduction occurring in FY 2021 and 10.0% occurring in FY 2022.

Table 1
Paycheck Protection Program Tax Exemption
Projected General Fund Revenue Reduction

Dollars in Millions

<u>Taxpayer Type</u>	<u>PPP Net Income</u>	<u>Marginal Tax Rate</u>	<u>Tax Reduction</u>
Nonprofits	\$ 19.7	0.0%	\$ 0.0
C Corporations	\$ 43.2	6.3%	\$ 2.7
S Corps & Partnerships	\$ 38.2	5.6%	\$ 2.1
Individuals	\$ 6.7	5.3%	\$ 0.4
	<u>\$ 107.8</u>		<u>\$ 5.2</u>

COVID-19 Grants — The Department of Revenue estimates that \$307.8 million in COVID-19 assistance grants has been distributed. Assumptions include:

- A total of \$114.9 million was distributed to tax-exempt entities, and a total of \$192.9 million was distributed to entities subject to the individual or corporate income tax.
- The average marginal income tax rate will be 5.3%.
- The timing of tax return or amended tax return filing will result in 90.0% of the tax reduction occurring in FY 2021 and 10.0% occurring in FY 2022.

Pandemic Unemployment Insurance — The Department of Workforce Development distributed \$1,626.7 million in FPUC payments to unemployed Iowans in CY 2020.

- The average marginal income tax rate will be 5.3%.
- The timing of tax return or amended tax return filing will result in 90.0% of the tax reduction occurring in FY 2021 and 10.0% occurring in FY 2022.
- The reduction in State income tax liability will result in a reduction in the amount owed for any local option income surtax for schools. The statewide average surtax rate is 3.0% of State income tax liability.

Fiscal Impact

The corporate and individual income tax exemptions included in the Bill as amended by [H-1115](#) are projected to reduce income taxes paid and General Fund revenue by the amounts shown in **Table 2**. There is no projected fiscal impact beyond FY 2022.

Table 2
Projected Tax Reduction by Provision and Fiscal Year

In Millions

	<u>Paycheck Protection Program</u>	<u>COVID-19 Grants</u>	<u>Pandemic Unemployment Insurance</u>	<u>Total</u>
FY 2021	\$ 4.7	\$ 9.2	\$ 77.6	\$ 91.5
FY 2022	0.5	1.0	8.6	10.1
	<u>\$ 5.2</u>	<u>\$ 10.2</u>	<u>\$ 86.2</u>	<u>\$ 101.6</u>

The statewide yield from the local option income surtax for schools will be reduced by a projected \$3.0 million across the two fiscal years.

The first filed tax returns for TY 2020 began to arrive in mid-February 2021. Exempting TY 2020 income from income tax will require changes to tax forms, instructions, and programs. It is likely that this change will result in a significant number of TY 2020 amended returns, which will increase the administration costs of the Department of Revenue.

In addition, exempting the FPUC payments lowans received as unemployment income will require a significant amount of administrative effort on the part of the Department of Revenue and the Department of Workforce Development. Approximately 200,000 taxpayers received unemployment payments during CY 2020, and most received payments through both the regular unemployment program and through FPUC. The W-2 forms the taxpayers received do not specify the portion of their unemployment income that came from the federal program exempted by this Bill. A system will need to be established to assist the taxpayers with identifying the amount of unemployment insurance that they individually received that is exempt under the provisions of this Bill.

Additional Potential Fiscal Impact

Existing Iowa law provides for a significant change to Iowa’s individual income tax system once two General Fund revenue triggers are met. The first year that the triggers may be met is at the conclusion of FY 2022. Once implemented, this contingent income tax system is projected to reduce Iowa individual income tax by roughly \$300.0 million per tax year. Since this Bill is projected to reduce General Fund revenue in FY 2022, the Bill’s changes will modestly reduce the probability of achieving both revenue triggers; as a consequence, the Bill could result in delayed implementation of the income tax reduction by one tax year.

Source

Department of Revenue
Department of Workforce Development

/s/ Holly M. Lyons

March 2, 2021

Doc ID 1215500500

The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

www.legis.iowa.gov



[SF 364](#) – Paycheck Protection Program, Fiscal Filers (LSB2503SV.3)
Staff Contact: Jeff Robinson (515.281.4614) jeff.robinson@legis.iowa.gov
Fiscal Note Version – As amended by proposed amendment [H-1122](#)

Description

[Senate File 364](#) as amended by proposed amendment [H-1122](#):

- Expands an existing tax preference available for the income and deductions associated with a forgiven federal Paycheck Protection Program (PPP) loan to include taxpayers who received a PPP loan within the taxpayer's 2019 tax year (TY).
- Exempts the proceeds of grants received by a taxpayer from COVID-19 assistance programs administered by the Economic Development Authority (EDA), Iowa Finance Authority (IFA), and the Department of Agriculture and Land Stewardship (DALs) from the State corporate and individual income tax.
- Excludes unemployment insurance (UI) payments received through recent federal pandemic unemployment insurance programs from Iowa taxable income when computing income tax liability. The changes are retroactive to January 1, 2020, and apply to TY 2020. The federal programs included in the exemption are:
 - Federal Pandemic Unemployment Compensation (FPUC).
 - Pandemic Unemployment Assistance (PUA).
 - Pandemic Emergency Unemployment Compensation (PEUC).
 - Unemployment compensation approved by presidential declaration and known as Lost Wages Assistance (LWA).
- Transfers the following amounts from the [Taxpayer Relief Fund](#) to the State General Fund for the FY 2021 and FY 2022. The purpose of the transfers is to reimburse the State General Fund for a significant portion of the income tax reduction provided in the Bill.
 - FY 2021 = \$90.3 million.
 - FY 2022 = The lesser of \$12.8 million or the balance in the Taxpayer Relief Fund.

Background

Paycheck Protection Program — Existing Iowa law provides an income tax exemption and associated expense deduction for forgiven federal PPP loans for tax years beginning on or after January 1, 2020 (TY 2020). This change extends the same benefit to taxpayers whose tax year is not the calendar year and who received PPP income in TY 2019.

COVID-19 Grants — The exemption is expected to apply to 14 grant programs administered by the EDA and/or IFA and 5 grant programs administered by the DALs.

Pandemic Unemployment Insurance — Federal legislation enacted in 2020 created several special unemployment compensation programs to assist unemployed workers. The first payments were distributed in early March 2020, and continued for eligible unemployed persons through the end of calendar year (CY) 2020, and beyond. The proposed income tax exemption does not apply to unemployment compensation received under the regular program or under the extension of the regular program that occurred during the fall of 2020. The exemption also does not apply to payments received after the end of CY 2020.

Assumptions

Paycheck Protection Program — The Department of Revenue estimates that Iowa businesses that do not have a tax year that coincides with a calendar year have a total of \$107.8 million in net PPP income that could be subject to Iowa income tax under existing law. The net PPP income amounts, average marginal tax rates, and income tax reductions assumptions are shown in **Table 1**. It is assumed that the timing of tax return or amended tax return filing will result in 90.0% of the tax reduction occurring in FY 2021, and 10.0% occurring in FY 2022.

<u>Taxpayer Type</u>	<u>PPP Net Income</u>	<u>Marginal Tax Rate</u>	<u>Tax Reduction</u>
Nonprofits	\$ 19.7	0.0%	\$ 0.0
C Corporations	\$ 43.2	6.3%	\$ 2.7
S Corps & Partnerships	\$ 38.2	5.6%	\$ 2.1
Individuals	\$ 6.7	5.3%	\$ 0.4
	<u>\$ 107.8</u>		<u>\$ 5.2</u>

COVID-19 Grants — The Department of Revenue estimates that \$307.8 million in COVID-19 assistance grants has been distributed. Assumptions include:

- A total of \$114.9 million was distributed to tax-exempt entities, and a total of \$192.9 million was distributed to entities subject to the individual or corporate income tax.
- The average marginal income tax rate will be 5.3%.
- The timing of tax return or amended tax return filing will result in 90.0% of the tax reduction occurring in FY 2021, and 10.0% occurring in FY 2022.

Pandemic Unemployment Insurance — The Department of Workforce Development distributed \$2,122.7 million from the federal pandemic unemployment insurance programs to unemployed Iowans in CY 2020.

- The average marginal income tax rate will be 5.3%.
- The timing of tax return or amended tax return filing will result in 90.0% of the tax reduction occurring in FY 2021, and 10.0% occurring in FY 2022.
- The reduction in State income tax liability will result in a reduction in the amount owed for any local option income surtax for schools. The statewide average surtax rate is 3.0% of State income tax liability.

Fiscal Impact

The corporate and individual income tax exemptions included in the Bill as amended by proposed amendment [H-1122](#) are projected to reduce income taxes paid by the amounts shown in **Table 2**. There is no projected fiscal impact beyond FY 2022. The projected \$128.0 million income tax reduction will result in a \$103.1 million reduction in the balance in the Taxpayer Relief Fund and a \$24.9 million reduction in State General Fund revenue.

Table 2
Projected Income Tax Reduction and Impact on State Funds
 In Millions

	Paycheck Protection Program	COVID-19 Grants	Pandemic Unemployment Insurance	Total Income Tax Reduction	Taxpayer Relief Fund Transfer	General Fund Revenue Reduction
FY 2021	\$ 4.7	\$ 9.2	\$ 101.3	\$ 115.2	\$ -90.3	\$ -24.9
FY 2022	0.5	1.0	11.3	12.8	-12.8	0.0
	\$ 5.2	\$ 10.2	\$ 112.6	\$ 128.0	\$ -103.1	\$ -24.9

The statewide yield from the local option income surtax for schools will be reduced by a projected \$3.8 million across the two fiscal years.

The first filed tax returns for TY 2020 began to arrive in mid-February 2021. Exempting TY 2020 income from income tax will require changes to tax forms, instructions, and programs. It is likely that this change will result in a significant number of TY 2020 amended returns, which will increase the administration costs of the Department of Revenue.

In addition, exempting the federal pandemic payments lowans received as unemployment income will require a significant amount of administrative effort on the part of the Department of Revenue and the Department of Workforce Development. Approximately 200,000 taxpayers received unemployment payments during CY 2020, and most, if not all, received payments through both the regular unemployment program and the federal pandemic programs. The W-2 forms taxpayers received do not specify the portion of their unemployment income that came from the federal programs exempted by this Bill. A system will need to be established to assist taxpayers with identifying the amount of unemployment insurance that they individually received that is exempt under the provisions of this Bill.

Sources

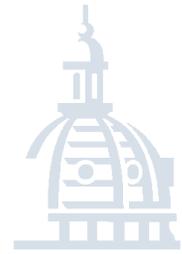
Department of Revenue
 Department of Workforce Development

/s/ Holly M. Lyons

March 2, 2021

Doc ID 1215612612

The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.



[SF 367](#) – Criminal Surcharge, Court Fees (LSB1174SV.1)
Staff Contact: Laura Book (515.205.9275) laura.book@legis.iowa.gov
Fiscal Note Version – As Amended and Passed by the Senate

Description

[Senate File 367](#) relates to certain financial obligations under the consumer credit code and the criminal and juvenile justice system by modifying criminal and civil surcharges, fines, fees, costs, and court debt. The Bill makes several technical corrections related to the collection of fines and civil fees. Senate File 367 expands the debts of which the county attorney may not collect a percentage to include all current surcharges.

Senate File 367 amends the definition of court debt to mean all restitution as defined in Iowa Code section [910.1](#), fees, forfeited bail, and other debt paid to or collected by the clerk of the district court. The Bill requires the Iowa Department of Revenue (IDR) receive 15.0% of each court debt payment as a processing fee on cases assigned to the IDR for collection, with the remainder of the court debt to be collected by the clerk of the district court for distribution in accordance with applicable law. The IDR collection fee must not include the amount of court debt collected for restitution involving pecuniary damages, the victim compensation fund, the crime services surcharge, the domestic and sexual abuse crimes surcharge, the agricultural surcharge, or the sex offender civil penalty.

Senate File 367 states that payments made by a person between January 1, 2021, and August 1, 2021, which added the IDR processing fee to the debt owed, shall be calculated as if the payment had been made and the IDR fee shall be applied to such a payment. The IDR processing fee added to the debt shall be deducted from the amount of court debt owed. If a payment made by a person owing court debt during this specified time reduces the total amount owed to zero, the clerk of court shall issue a refund to the person in the amount of the processing fee. This provision is repealed on January 1, 2023.

Senate File 367 rescinds Iowa administrative rule [701—155.1\(602\)](#) on August 1, 2021. Section 2 of the Bill is effective upon enactment and Section 4 of the Bill takes effect on August 1, 2021. Section 2 also applies retroactively to July 15, 2020. Section 2 of this Bill makes a conforming change to Iowa Code section [602.8105](#). Section 4 of this Bill relates to the collection of court debt by the IDR and the 15.0% processing fee collected by the department.

Background

Prior to July 1, 2015, delinquent court debt was assigned to the Centralized Collection Unit (CCU) of the IDR at the time of delinquency. The CCU charged a 10.0% processing fee in addition to the delinquent debt. The CCU was removed from the collections process beginning in FY 2016, and debt was assigned to the private collector, Linebarger, Goggan, Blair, and Sampson, L.L.P. (Linebarger), at the time of delinquency. In FY 2017, further changes to the court debt collection system were implemented. The collections timeline was modified to allow the county attorneys to begin collecting after 30 days from assessment or the due date of an installment payment. If a county attorney has filed a notice of full commitment to collect delinquent court debt and a Memorandum of Understanding (MOU) with the Clerk of the District

Court, the debt is assigned to the county attorney. If not, the debt is assigned to the designated private debt collector.

During the 2020 Legislative Session, [SF 457](#) (Criminal Fines and Surcharges) was enacted, which removed the private debt collector from the court debt collection process and replaced it with the CCU of the IDR beginning in January 2021. Currently, the IDR is permitted to collect a processing fee in addition to the delinquent debt in order to cover administrative costs. The fee is currently set by administrative rule at 15.0%. If enacted, this Bill will repeal the IDR administrative rule.

Assumptions

- The IDR collections will be similar to the average Linebarger collections from the last three fiscal years. The average annual collection by Linebarger was approximately \$9.7 million. In FY 2021, the IDR will collect half of the average annual Linebarger collection since IDR began collecting court debt halfway through the fiscal year.
- Based on the FY 2020 court debt collections, 82.0% of all fines and fees collected by and owed to the State will have a processing fee applied and collected from those fees. Court debt is comprised of: 22.0% attorney fees, 17.0% court costs, 33.0% fines, 10.0% jury and witness fees, and 18.0% surcharges.
- The 15.0% processing fee will cover all administrative costs incurred by the IDR while collecting court debt.

Fiscal Impact

Senate File 367 is estimated to have a fiscal impact of approximately \$1.2 million annually beginning in FY 2022. It is estimated that the IDR will collect approximately \$1.2 million in processing fees and as a result, the State General Fund and city and county budgets will experience a combined revenue reduction of the same amount. This processing fee will cover any IDR administrative costs. It is unknown at this time how the \$1.2 million negative impact would be divided between the State, cities, and counties. **Table 1** provides the annual State collection categories and the fees estimated to be collected from each category beginning in FY 2022.

Table 1 — IDR Estimated State Collections and Fees Beginning in FY 2022

	Annual Estimated Collections*	Est. Fees (15.0%)
Attorney Fees	\$ 2,132,000	\$ 319,800
Court Costs	1,647,000	247,050
Jury and Witness	969,000	145,350
Fines	3,198,000	479,700
Surcharges	1,744,000	N/A
Total	\$ 9,690,000	\$ 1,191,900

*Does not include victim restitution or other amounts not owed to the State.

The IDR began collecting court debt on January 1, 2021, and currently collects the processing fee in addition to the amount owed. If between the time the IDR began collecting and August 1, 2021, a person pays off their court debt, including the processing fee, the clerk of court is required to refund the additional processing fee. It is estimated that the IDR will collect \$600,000 in processing fees in FY 2021, but it is unknown how much of this will be collected

and qualify for refund on August 1, 2021. This may have a fiscal impact on the State General Fund and city and county budgets, but the impact is unknown at this time.

Sources

Judicial Branch
Iowa Department of Revenue
LSA analysis

/s/ Holly M. Lyons

March 1, 2021

Doc ID 1215117117

The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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[SF 480](#) – Open Records Costs (LSB2184SV)

Staff Contact: Maria Wagenhofer (515.281.5270) maria.wagenhofer@legis.iowa.gov

Fiscal Note Version – New

Description

[Senate File 480](#) relates to the assessment of fees associated with public records requests under Iowa Code chapter [22](#). The Bill provides that expenses associated with a request for examination or copies of public records must be reasonable and that the fees charged for supervising the examination of and copying public records by the lawful custodian must not include charges for legal services for the redaction or review of the public records.

Background

Under Iowa Code chapter 22, all expenses for the examination and copying of public records are paid by the person desiring to examine or copy the record. Government bodies can include expenses directly attributable to supervising the examination of and making and providing copies of public records and cannot include charges for ordinary expenses or costs such as employment benefits, depreciation, maintenance, electricity, or insurance associated with the administration of the office.

Assumptions

- There may be an increase in the quantity of public record requests and the scope of public record requests due to less cost-prohibitive fees assessed to obtain records.
- Costs will vary for governmental entities based on whether legal services are provided in-house or through outside services.
- Costs will vary for governmental entities based on the extent to which legal fees are already absorbed by the entity.
- Costs will vary for governmental entities based on size and average volume of existing public records requests, as well as the variability of requests throughout a fiscal year.
- Not all State agencies and local governmental entities receiving public record requests will have a fiscal impact as a result of this Bill.
- Not all State agencies submitted data to the Legislative Services Agency regarding SF 480, and the fiscal impact discussion below is intended to convey the potential fiscal impact of the Bill based on a sample of the State agencies that reported a fiscal impact. There were six State agencies of varying size that indicated no fiscal impact, and one agency that was unable to quantify fiscal impact due to uncertainty around what may constitute as a legal service.

Fiscal Impact

State Agencies

The estimated fiscal impact of SF 480 varies across State agencies. Based on a sample of agencies that responded to a request for information and reported a fiscal impact, the fiscal impact included the need for 0.5 to 1.0 additional full-time equivalent (FTE) position to address the potential for increased public record requests. Below is the range of the FTE position costs submitted by agencies:

Table 1 — Estimated FTE Position Costs by Agencies Reporting a Fiscal Impact

Agency	Projected FTEs	Position	Estimated Annual Cost
Judicial Branch	0.5	Staff Attorney 1	\$ 47,000
Department of Public Safety	1.0	Attorney 2	84,000
Office of the Attorney General	0.5	Assistant Attorney General 3	86,000
Iowa Civil Rights Commission	1.0	Clerk Specialist	49,000
Board of Regents (Per University)	1.0	N/A	70,000

Note: The agencies listed in this table are intended to represent a sample of agencies that reported a fiscal impact and not all State agencies that would experience fiscal impact. Not all agencies included in the sample reported a fiscal impact.

Local Governments

It is estimated that local governments (cities, counties, and schools) may be more likely to utilize outside legal services and would incur increased costs associated with absorbing the costs of the legal review of requests. Costs can be expected to vary based on the size of a municipality or school district and the volume and scope of the requests received in a given year; as a result, the Bill’s overall fiscal impact on local governments cannot be estimated at this time.

Sources

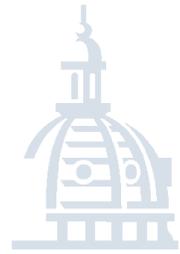
- Judicial Branch
- Department of Public Safety
- Office of the Attorney General
- Iowa Civil Rights Commission
- Board of Regents
- Iowa League of Cities
- Iowa Association of School Boards

/s/ Holly M. Lyons

March 1, 2021

Doc ID 1215345

The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.



[SF 364](#) – Paycheck Protection Program, Fiscal Filers (LSB2503SV.2)
Staff Contact: Jeff Robinson (515.281.4614) jeff.robinson@legis.iowa.gov
Fiscal Note Version – As amended by [H-1115](#) (Ways and Means Committee amendment)

Description

[Senate File 364](#) as amended by [H-1115](#):

- Expands an existing tax preference available for the income and deductions associated with a forgiven federal Paycheck Protection Program (PPP) loan to include taxpayers who received a PPP loan within the taxpayer’s 2019 tax year (TY).
- Exempts the proceeds of grants received by a taxpayer from COVID-19 assistance programs administered by the Economic Development Authority (EDA), Iowa Finance Authority (IFA), and the Department of Agriculture and Land Stewardship (DALs) from the State corporate and individual income tax. This provision is repealed January 1, 2024.
- Excludes unemployment insurance payments received from a program commonly known as Federal Pandemic Unemployment Compensation (FPUC) from Iowa taxable income when computing income tax liability. The change is retroactive to January 1, 2020, and applies to income received in TY 2020, and is repealed January 1, 2026.

Background

Paycheck Protection Program — Existing Iowa law provides an income tax exemption and associated expense deduction for forgiven federal PPP loans for tax years beginning on or after January 1, 2020 (TY 2020). This change extends the same benefit to taxpayers whose tax year is not the calendar year and who received PPP income in TY 2019.

COVID-19 Grants — The exemption is expected to apply to 14 grant programs administered by the EDA and/or IFA and 5 grant programs administered by the DALs.

Federal Pandemic Unemployment Compensation — Federal legislation enacted in 2020 created several special unemployment compensation programs to assist unemployed workers. The first payments were distributed in early March 2020. The proposed income tax exemption applies to income received through FPUC only. The FPUC payments equaled \$600 each week and the payments were in addition to the taxpayer’s unemployment compensation received under the regular unemployment insurance program.

Assumptions

Paycheck Protection Program — The Department of Revenue estimates that Iowa businesses that do not have a tax year that coincides with a calendar year have a total of \$107.8 million in net PPP income that could be subject to Iowa income tax under existing law. The net PPP income amounts, average marginal tax rates, and income tax reductions assumptions are shown in **Table 1**. It is assumed that the timing of tax return or amended tax return filing will result in 90.0% of the tax reduction occurring in FY 2021 and 10.0% occurring in FY 2022.

Table 1
Paycheck Protection Program Tax Exemption
Projected General Fund Revenue Reduction

Dollars in Millions

<u>Taxpayer Type</u>	<u>PPP Net Income</u>	<u>Marginal Tax Rate</u>	<u>Tax Reduction</u>
Nonprofits	\$ 19.7	0.0%	\$ 0.0
C Corporations	\$ 43.2	6.3%	\$ 2.7
S Corps & Partnerships	\$ 38.2	5.6%	\$ 2.1
Individuals	\$ 6.7	5.3%	\$ 0.4
	<u>\$ 107.8</u>		<u>\$ 5.2</u>

COVID-19 Grants — The Department of Revenue estimates that \$307.8 million in COVID-19 assistance grants has been distributed. Assumptions include:

- A total of \$114.9 million was distributed to tax-exempt entities, and a total of \$192.9 million was distributed to entities subject to the individual or corporate income tax.
- The average marginal income tax rate will be 5.3%.
- The timing of tax return or amended tax return filing will result in 90.0% of the tax reduction occurring in FY 2021 and 10.0% occurring in FY 2022.

Pandemic Unemployment Insurance — The Department of Workforce Development distributed \$1,626.7 million in FPUC payments to unemployed Iowans in CY 2020.

- The average marginal income tax rate will be 5.3%.
- The timing of tax return or amended tax return filing will result in 90.0% of the tax reduction occurring in FY 2021 and 10.0% occurring in FY 2022.
- The reduction in State income tax liability will result in a reduction in the amount owed for any local option income surtax for schools. The statewide average surtax rate is 3.0% of State income tax liability.

Fiscal Impact

The corporate and individual income tax exemptions included in the Bill as amended by [H-1115](#) are projected to reduce income taxes paid and General Fund revenue by the amounts shown in **Table 2**. There is no projected fiscal impact beyond FY 2022.

Table 2
Projected Tax Reduction by Provision and Fiscal Year

In Millions

	<u>Paycheck Protection Program</u>	<u>COVID-19 Grants</u>	<u>Pandemic Unemployment Insurance</u>	<u>Total</u>
FY 2021	\$ 4.7	\$ 9.2	\$ 77.6	\$ 91.5
FY 2022	0.5	1.0	8.6	10.1
	<u>\$ 5.2</u>	<u>\$ 10.2</u>	<u>\$ 86.2</u>	<u>\$ 101.6</u>

The statewide yield from the local option income surtax for schools will be reduced by a projected \$3.0 million across the two fiscal years.

The first filed tax returns for TY 2020 began to arrive in mid-February 2021. Exempting TY 2020 income from income tax will require changes to tax forms, instructions, and programs. It is likely that this change will result in a significant number of TY 2020 amended returns, which will increase the administration costs of the Department of Revenue.

In addition, exempting the FPUC payments lowans received as unemployment income will require a significant amount of administrative effort on the part of the Department of Revenue and the Department of Workforce Development. Approximately 200,000 taxpayers received unemployment payments during CY 2020, and most received payments through both the regular unemployment program and through FPUC. The W-2 forms the taxpayers received do not specify the portion of their unemployment income that came from the federal program exempted by this Bill. A system will need to be established to assist the taxpayers with identifying the amount of unemployment insurance that they individually received that is exempt under the provisions of this Bill.

Additional Potential Fiscal Impact

Existing Iowa law provides for a significant change to Iowa’s individual income tax system once two General Fund revenue triggers are met. The first year that the triggers may be met is at the conclusion of FY 2022. Once implemented, this contingent income tax system is projected to reduce Iowa individual income tax by roughly \$300.0 million per tax year. Since this Bill is projected to reduce General Fund revenue in FY 2022, the Bill’s changes will modestly reduce the probability of achieving both revenue triggers; as a consequence, the Bill could result in delayed implementation of the income tax reduction by one tax year.

Source

Department of Revenue
Department of Workforce Development

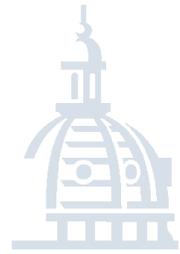
/s/ Holly M. Lyons

March 2, 2021

Doc ID 1215500500

The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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[SF 364](#) – Paycheck Protection Program, Fiscal Filers (LSB2503SV.3)
Staff Contact: Jeff Robinson (515.281.4614) jeff.robinson@legis.iowa.gov
Fiscal Note Version – As amended by proposed amendment [H-1122](#)

Description

[Senate File 364](#) as amended by proposed amendment [H-1122](#):

- Expands an existing tax preference available for the income and deductions associated with a forgiven federal Paycheck Protection Program (PPP) loan to include taxpayers who received a PPP loan within the taxpayer's 2019 tax year (TY).
- Exempts the proceeds of grants received by a taxpayer from COVID-19 assistance programs administered by the Economic Development Authority (EDA), Iowa Finance Authority (IFA), and the Department of Agriculture and Land Stewardship (DALs) from the State corporate and individual income tax.
- Excludes unemployment insurance (UI) payments received through recent federal pandemic unemployment insurance programs from Iowa taxable income when computing income tax liability. The changes are retroactive to January 1, 2020, and apply to TY 2020. The federal programs included in the exemption are:
 - Federal Pandemic Unemployment Compensation (FPUC).
 - Pandemic Unemployment Assistance (PUA).
 - Pandemic Emergency Unemployment Compensation (PEUC).
 - Unemployment compensation approved by presidential declaration and known as Lost Wages Assistance (LWA).
- Transfers the following amounts from the [Taxpayer Relief Fund](#) to the State General Fund for the FY 2021 and FY 2022. The purpose of the transfers is to reimburse the State General Fund for a significant portion of the income tax reduction provided in the Bill.
 - FY 2021 = \$90.3 million.
 - FY 2022 = The lesser of \$12.8 million or the balance in the Taxpayer Relief Fund.

Background

Paycheck Protection Program — Existing Iowa law provides an income tax exemption and associated expense deduction for forgiven federal PPP loans for tax years beginning on or after January 1, 2020 (TY 2020). This change extends the same benefit to taxpayers whose tax year is not the calendar year and who received PPP income in TY 2019.

COVID-19 Grants — The exemption is expected to apply to 14 grant programs administered by the EDA and/or IFA and 5 grant programs administered by the DALs.

Pandemic Unemployment Insurance — Federal legislation enacted in 2020 created several special unemployment compensation programs to assist unemployed workers. The first payments were distributed in early March 2020, and continued for eligible unemployed persons through the end of calendar year (CY) 2020, and beyond. The proposed income tax exemption does not apply to unemployment compensation received under the regular program or under the extension of the regular program that occurred during the fall of 2020. The exemption also does not apply to payments received after the end of CY 2020.

Assumptions

Paycheck Protection Program — The Department of Revenue estimates that Iowa businesses that do not have a tax year that coincides with a calendar year have a total of \$107.8 million in net PPP income that could be subject to Iowa income tax under existing law. The net PPP income amounts, average marginal tax rates, and income tax reductions assumptions are shown in **Table 1**. It is assumed that the timing of tax return or amended tax return filing will result in 90.0% of the tax reduction occurring in FY 2021, and 10.0% occurring in FY 2022.

<u>Taxpayer Type</u>	<u>PPP Net Income</u>	<u>Marginal Tax Rate</u>	<u>Tax Reduction</u>
Nonprofits	\$ 19.7	0.0%	\$ 0.0
C Corporations	\$ 43.2	6.3%	\$ 2.7
S Corps & Partnerships	\$ 38.2	5.6%	\$ 2.1
Individuals	\$ 6.7	5.3%	\$ 0.4
	<u>\$ 107.8</u>		<u>\$ 5.2</u>

COVID-19 Grants — The Department of Revenue estimates that \$307.8 million in COVID-19 assistance grants has been distributed. Assumptions include:

- A total of \$114.9 million was distributed to tax-exempt entities, and a total of \$192.9 million was distributed to entities subject to the individual or corporate income tax.
- The average marginal income tax rate will be 5.3%.
- The timing of tax return or amended tax return filing will result in 90.0% of the tax reduction occurring in FY 2021, and 10.0% occurring in FY 2022.

Pandemic Unemployment Insurance — The Department of Workforce Development distributed \$2,122.7 million from the federal pandemic unemployment insurance programs to unemployed Iowans in CY 2020.

- The average marginal income tax rate will be 5.3%.
- The timing of tax return or amended tax return filing will result in 90.0% of the tax reduction occurring in FY 2021, and 10.0% occurring in FY 2022.
- The reduction in State income tax liability will result in a reduction in the amount owed for any local option income surtax for schools. The statewide average surtax rate is 3.0% of State income tax liability.

Fiscal Impact

The corporate and individual income tax exemptions included in the Bill as amended by proposed amendment [H-1122](#) are projected to reduce income taxes paid by the amounts shown in **Table 2**. There is no projected fiscal impact beyond FY 2022. The projected \$128.0 million income tax reduction will result in a \$103.1 million reduction in the balance in the Taxpayer Relief Fund and a \$24.9 million reduction in State General Fund revenue.

Table 2
Projected Income Tax Reduction and Impact on State Funds
 In Millions

	Paycheck Protection Program	COVID-19 Grants	Pandemic Unemployment Insurance	Total Income Tax Reduction	Taxpayer Relief Fund Transfer	General Fund Revenue Reduction
FY 2021	\$ 4.7	\$ 9.2	\$ 101.3	\$ 115.2	\$ -90.3	\$ -24.9
FY 2022	0.5	1.0	11.3	12.8	-12.8	0.0
	\$ 5.2	\$ 10.2	\$ 112.6	\$ 128.0	\$ -103.1	\$ -24.9

The statewide yield from the local option income surtax for schools will be reduced by a projected \$3.8 million across the two fiscal years.

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In addition, exempting the federal pandemic payments lowans received as unemployment income will require a significant amount of administrative effort on the part of the Department of Revenue and the Department of Workforce Development. Approximately 200,000 taxpayers received unemployment payments during CY 2020, and most, if not all, received payments through both the regular unemployment program and the federal pandemic programs. The W-2 forms taxpayers received do not specify the portion of their unemployment income that came from the federal programs exempted by this Bill. A system will need to be established to assist taxpayers with identifying the amount of unemployment insurance that they individually received that is exempt under the provisions of this Bill.

Sources

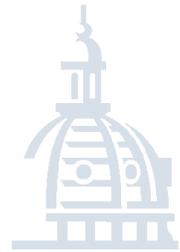
Department of Revenue
 Department of Workforce Development

/s/ Holly M. Lyons

March 2, 2021

Doc ID 1215612612

The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.



[SF 480](#) – Open Records Costs (LSB2184SV)
Staff Contact: Maria Wagenhofer (515.281.5270) maria.wagenhofer@legis.iowa.gov
Fiscal Note Version – New

Description

[Senate File 480](#) relates to the assessment of fees associated with public records requests under Iowa Code chapter [22](#). The Bill provides that expenses associated with a request for examination or copies of public records must be reasonable and that the fees charged for supervising the examination of and copying public records by the lawful custodian must not include charges for legal services for the redaction or review of the public records.

Background

Under Iowa Code chapter 22, all expenses for the examination and copying of public records are paid by the person desiring to examine or copy the record. Government bodies can include expenses directly attributable to supervising the examination of and making and providing copies of public records and cannot include charges for ordinary expenses or costs such as employment benefits, depreciation, maintenance, electricity, or insurance associated with the administration of the office.

Assumptions

- There may be an increase in the quantity of public record requests and the scope of public record requests due to less cost-prohibitive fees assessed to obtain records.
- Costs will vary for governmental entities based on whether legal services are provided in-house or through outside services.
- Costs will vary for governmental entities based on the extent to which legal fees are already absorbed by the entity.
- Costs will vary for governmental entities based on size and average volume of existing public records requests, as well as the variability of requests throughout a fiscal year.
- Not all State agencies and local governmental entities receiving public record requests will have a fiscal impact as a result of this Bill.
- Not all State agencies submitted data to the Legislative Services Agency regarding SF 480, and the fiscal impact discussion below is intended to convey the potential fiscal impact of the Bill based on a sample of the State agencies that reported a fiscal impact. There were six State agencies of varying size that indicated no fiscal impact, and one agency that was unable to quantify fiscal impact due to uncertainty around what may constitute as a legal service.

Fiscal Impact

State Agencies

The estimated fiscal impact of SF 480 varies across State agencies. Based on a sample of agencies that responded to a request for information and reported a fiscal impact, the fiscal impact included the need for 0.5 to 1.0 additional full-time equivalent (FTE) position to address the potential for increased public record requests. Below is the range of the FTE position costs submitted by agencies:

Table 1 — Estimated FTE Position Costs by Agencies Reporting a Fiscal Impact

Agency	Projected FTEs	Position	Estimated Annual Cost
Judicial Branch	0.5	Staff Attorney 1	\$ 47,000
Department of Public Safety	1.0	Attorney 2	84,000
Office of the Attorney General	0.5	Assistant Attorney General 3	86,000
Iowa Civil Rights Commission	1.0	Clerk Specialist	49,000
Board of Regents (Per University)	1.0	N/A	70,000

Note: The agencies listed in this table are intended to represent a sample of agencies that reported a fiscal impact and not all State agencies that would experience fiscal impact. Not all agencies included in the sample reported a fiscal impact.

Local Governments

It is estimated that local governments (cities, counties, and schools) may be more likely to utilize outside legal services and would incur increased costs associated with absorbing the costs of the legal review of requests. Costs can be expected to vary based on the size of a municipality or school district and the volume and scope of the requests received in a given year; as a result, the Bill's overall fiscal impact on local governments cannot be estimated at this time.

Sources

- Judicial Branch
- Department of Public Safety
- Office of the Attorney General
- Iowa Civil Rights Commission
- Board of Regents
- Iowa League of Cities
- Iowa Association of School Boards

/s/ Holly M. Lyons

March 1, 2021

Doc ID 1215345

The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
